

Message Text

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ACTION EB-07

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SUBJECT: JAPANESE CONSORTIUM REPORTED TO HAVE SIGNED OIL
PURCHASE CONTRACT WITH PETROVEN

1. BEGIN SUMMARY. THE CARACAS PRESS REPORTS THAT A CONSORTIUM OF JAPANESE INDUSTRIAL FIRMS WILL SIGN AN OIL PURCHASE AGREEMENT WITH PETROVEN ON JANUARY 30. NO QUANTITIES ARE SPECIFIED IN THE CONTRACT. THE PRICE IS REPORTED TO BE AT THE OPEC LEVEL, AND NO BARTER ARRANGEMENT IS INVOLVED. THE CONSORTIUM REPORTEDLY PLANS TO RESELL THE OIL BOTH IN THE FAR EAST AND WESTERN HEMISPHERE. END SUMMARY.

2. MINES MINISTER VALENTIN HERNANDEZ WAS REPORTED BY THE CARACAS PRESS, IN ARTICLES PUBLISHED ON JANUARY 29 AND 30, TO HAVE ANNOUNCED THE CONCLUSION OF AN OIL SALES AGREEMENT WITH A JAPANESE INDUSTRIAL MISSION HEADED BY A. MIYAUCHI. THE MISSION IS SAID TO REPRESENT A CONSORTIUM OF THE MITSUBISHI, MITSUI AND MARUBEN COMPANIES. THE AGREEMENT WAS DESCRIBED BY THE MINISTER AS AN "AGENCY CONTRACT" WHICH WILL ALLOW
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FOR THE FIXING OF QUANTITIES OF PETROLEUM EXPORTS TO THE

JAPANESE BUYERS DURING THE PERIOD OF THE CONTRACT ACCORD-
ING TO THEIR REQUIREMENTS.
THE CONTRACT WAS TO BE SIGNED
WITH THE PRESIDENT OF PETROLEUS DE VENEZUELA ON JANUARY 30.

3. ONE PRESS ARTICLE SPECULATES THAT THE GROUP MAY BE
ABLE TO TAKE AS MUCH AS 100,000 B/D, AND THAT IT PLANS
TO SELL THE OIL "AGRESSIVELY" NOT ONLY IN THE FAR EAST
BUT IN THE WESTERN HEMISPHERE AS WELL. THE SAME NEWS-
PAPER CLAIMS THAT THE CONSORTIUM WAS "PROMISED" THE OIL
AT THE OPEC PRICE ESTABLISHED IN 1975.

4. THE PRESS ALSO STATED THAT THE INITIAL CONTRACT
FOR THIS DEAL WAS ESTABLISHED BY A JAPANESE TRADE MISSION
VISIT TO VENEZUELA IN 1975. THE MISSION VISIT RESULTED
IN THE FORMATION OF A JAPANESE-VENEZUELAN COMMITTEE
WHICH BECAME KNOWN AS JAVEC. PRESUMABLY, JAVEC THEN
INITIATED CONVERSATIONS TOWARD THE CONCLUSION OF AN OIL
PURCHASE CONTRACT, WHICH WAS IMPLEMENTED BY THE CONSORTIUM.
THE CONSORTIUM, REPORTEDLY, IS ALSO INTERESTED IN SELLING
OIL TECHNOLOGY TO VENEZUELA.

5. COMMENT - VENEZUELAN OIL SALES TO JAPAN HAVE DECLINED
STEADILY IN RECENT YEARS FOR THE REASON THAT THIS OIL
HAS BEEN UNABLE TO COMPETE IN THE JAPANESE MARKET. THERE
HAVE BEEN NO CHANGES IN LOGISTICAL OR ECONOMIC FACTORS,
THAT WE CAN DETERMINE, WHICH WOULD NOW MAKE VENEZUELAN
OIL COMPETITIVE. VENEZUELAN OIL DOES NOT EVEN SELL
COMPETITIVELY ON THE U.S. WEST COAST. WE UNDERSTAND
THAT ONE MAJOR REASON WHY VENEZUELA ELECTED NOT TO GO
FORWARD WITH A COSTA RICAN REFINERY AND RELATED
PIPELINE ACROSS THE ISTHMUS WAS BECAUSE THE PIPELINE
MIGHT BE UTILIZED TO BRING ALASKAN AND EASTERN HEMISPHERE
CRUDE INTO THE CARIBBEAN MARKETING AREA, AND THUS UNDER-
CUT VENEZUELAN SALES IN ITS TRADITIONAL MARKETING TERRI-
TORY.

6. MINISTER HERNANDEZ' DESCRIPTION OF THE AGREEMENT AS
AN "AGENCY CONTRACT" CAN BE INTERPRETED TO MEAN THAT THE
JAPANESE WILL ACT AS COMMISSION AGENTS TO FIND MARKETS
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WHERE VENEZUELAN OIL MAY COMPETE. THE MINISTER HAS
ONLY USED THIS DESCRIPTIVE PHRASE IN ONE OTHER INSTANCE -
THE CONTRACT BEING NEGOTIATED WITH SHELL'S ASIATIC
PETROLEUM COMPANY IN NEW YORK - WHICH SELLS ON THE U.S.
EAST UNDER A COMMISSION TYPE ARRANGEMENT. THE
PHRASE MAY ALSO IMPLY SPOT PURCHASES BY THE JAPANESE.
ONE INDUSTRY SOURCE SPECULATES THAT THE JAPANESE MAY
WANT ACCESS TO VENEZUELAN OIL TO USE IT IN CONJUNCTION

WITH INDUSTRIAL UNDERTAKINGS IT HAS, OR IS CONTEMPLATING,
IN THE WESTERN HEMISPHERE. WE WILL ATTEMPT TO OBTAIN
MORE DETAILS.

7. DURING A CONVERSATION ON JANUARY 22 PRESIDENT PEREZ
TOLD THE AMBASSADOR THAT THE JAPANESE HAS PROPOSED
ESTABLISHING A JOINT-VENTURE OIL COMPANY. THEIR IDEA
APPARENTLY WAS TO BUY A MINORITY INTEREST IN ONE OF THE
NATIONALIZED FIRMS. PEREZ SAID HE COULD NOT AGREE AT
THIS TIME TO THAT SCHEME BUT THAT HE INTENDED TO COUNTER
WITH THE SUGGESTION THAT THE JAPANESE CONSIDER A JOINT
VENTURE IN THE PROJECTED ZULIA COAL AND STEEL PROJECT.
THE MIYAUCHI AGREEMENT MAY HAVE SOMETHING TO DO WITH
THESE CONVERSATIONS. END COMMENT.
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